

Message Text

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DRAFTED BY EB/ISM:WPOLIK;MJDUX:MBL

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FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ

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E.O. 11652: N/A ;

TAGS: EMIN, ETRD, EFIN, BL

SUBJECT: TIN EXPORT CONTROLS

REF: LA PAZ 2918

1. WE CAN ONLY REGRET THE ASTOUNDING LACK OF ACCURACY AND OBJECTIVITY IN THE CLAIM THAT GSA SOLD 6,000 TONS OF TIN IN FIRST QUARTER OF 1975. FACT IS THAT ON JANUARY 1, 1975 GSA HAD ONLY 6,832 LONG TONS AVAILABLE FOR DISPOSAL AND SOLD ONLY 300 (THREE HUNDRED) TONS IN FIRST QUARTER. MONTHLY SALES DATA ARE AS FOLLOWS: JANUARY 135 LT; FEBRUARY 75 LT; MARCH 90 LT. IN APRIL ANOTHER 10 (TEN) LT WERE SOLD. SUGGEST YOU ASK DIARIO TO PRINT RETRACTION AND CORRECTION ON FRONT PAGE.

2. IN FACT, GSA TIN SALES HAVE BEEN DOWN SHARPLY SINCE MID-1974. FOLLOWING SALES OF 970 LT IN JUNE, MONTHLY SALES FIGURES FOR SECOND HALF OF 1974 WERE: JULY 595 LT; AUGUST 540 LT; SEPT. 285 LT; OCT. 70 LT; NOV. 135 LT; DEC 30 LT, FOR TOTAL 1,655 LT IN SECOND HALF 1974.

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3. WITH REGARD TO ITC CALL-UP OF BUFFER STOCK FUNDS, DEPT WISHES NOTE THAT THESE ARE FUNDS THAT TIN PRODUCERS UNDERTOOK TO PROVIDE UNDER PROVISIONS OF CURRENT INTERNATIONAL TIN AGREEMENT (ITA), AND ACTUALLY DID PROVIDE (IN TIN AND/

OR CASH) AT OUTSET OF CURRENT ITA. AS RESULT OF VIRTUAL DEPLETION OF ITC TIN BUFFER STOCK IN UNSUCCESSFUL EFFORT TO DEFEND TIN CEILING PRICE DURING SECOND HALF OF 1973 (WHICH INCIDENTALLY RESULTED IN SUBSTANTIAL PROFIT FOR BUFFER STOCK FUND) ITC COULD HAVE INVESTED THESE FUNDS IN HIGH QUALITY SHORT-TERM SECURITIES. THIS WOULD HAVE OBIATED NECESSITY FOR RECENT CALL-UP OF FUNDS (NOT TO MENTION PROFIT THAT WOULD HAVE ACCRUED TO BUFFER STOCK FUND FROM SHORT TERM INVESTMENT OF THESE QUOTE IDLE UNQUOTE FUNDS. HOWEVER, AT URGING OF PRODUCER MEMBERS OF ITC SUBSTANTIAL PORTION OF THESE FUNDS WERE RETURNED TO PRODUCER CONTRIBUTORS ON UNDERSTANDING THAT FUNDS SO RETURNED COULD BE RECALLED IF NEEDED FOR BUFFER STOCK FUND. THIS WAS WHAT HAPPENED, AND WE SEE NO GROUNDS FOR ANY BOLIVIAN COMPLAINT (IF MADE) RE NECESSITY TO PART WITH THESE FUNDS, SINCE IN EFFECT THEIR QUOTE RETURN UNQUOTE WAS NOT ABSOLUTE BUT CONDITIONAL.

4. GSA DOES NOT USE 5-DAY MOVING AVERAGE, BUT ESTABLISHES DAILY PRICE ON BASIS OF PENANG, LME AND NEW YORK PRICES. GSA HAS BEEN SLOW TO MAKE DOWNWARD ADJUSTMENTS AS MARKET HAS TURNED DOWN, WITH RESULT THAT GSA PRICE HAS AT TIMES BEEN ABOVE NEW YORK DEALER PRICE. BY WAITING TO MAKE SURE THAT PRICE DROP REFLECTS A TREND RATHER THAN A BRIEF ABERRATION GSA COMPLIES WITH STATUTORY OBLIGATION TO PREVENT AVOIDABLE LOSS. KISSINGER

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